



Department of  
Health and Welfare

**S1384 - 2014 Session**  
**Intent Language in Section 9.**  
**Appropriation by Fund**

**Joint Finance-Appropriations Committee**

**David N. Taylor, CPA, CFE**  
**Deputy Director**

**January 19, 2015**



IDAHO DEPARTMENT OF  
HEALTH & WELFARE



## Today's Presentation

- **Legislative intent language**
- **History & the current environment**
  - Glossary of terms
  - What is the “Cooperative Welfare Fund”?
  - Agency appropriation & financial system overview
  - 2013 legislative session – OPE Report / HB 328
- **What is the Department's “multifaceted plan” for:**
  - Compliance and transparency?
  - Future solutions?
  - What if DHW received appropriations specified by fund?



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## Senate Bill - 1384

*(It) is the intent of the Legislature that the Department of Health and Welfare provide to the Legislative Services Office (LSO) and the Division of Financial Management (DFM) a multifaceted plan by December 31, 2014, that shall include:*

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  - a) Replacing the current software system;*
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- 3) Identifying the steps and projected costs that would need to occur if the Legislature was to appropriate by a specific fund source, rather than the Cooperative Welfare Fund for a program or programs.*



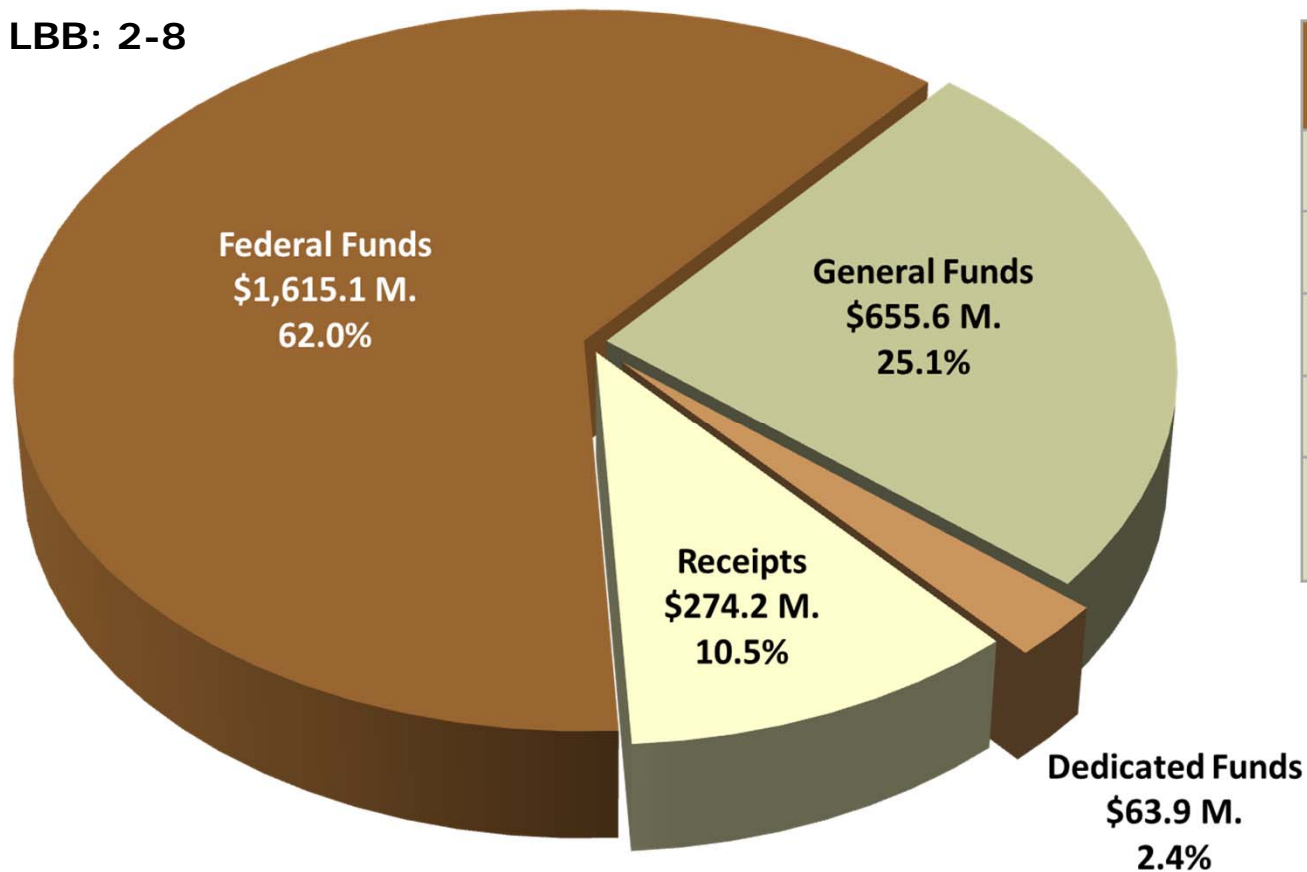
## Glossary of Terms

- **Cooperative welfare fund**: a single fund used to pool multiple (i.e. – General, Federal, and Receipts) funding sources.
- **STARS**: The current **S**tate **A**ccounting and **R**eporting **S**ystem. It is a mainframe application and was acquired by Idaho in 1987. The system is operated by the State Controller's Office (SCO).
- **FISCAL**: The department's **F**inancial **I**nformation **S**ystem with **C**ost **A**llocation was implemented in 1993. FISCAL was "cloned" from STARS and modified primarily to support cost allocation. FISCAL interfaces with STARS.
- **Cost allocation**: is an approved method to determine the cost of services provided to users of that service.



## DHW SFY 2016 Recommendation by Funding Source

LBB: 2-8



Total: \$2.61 B.

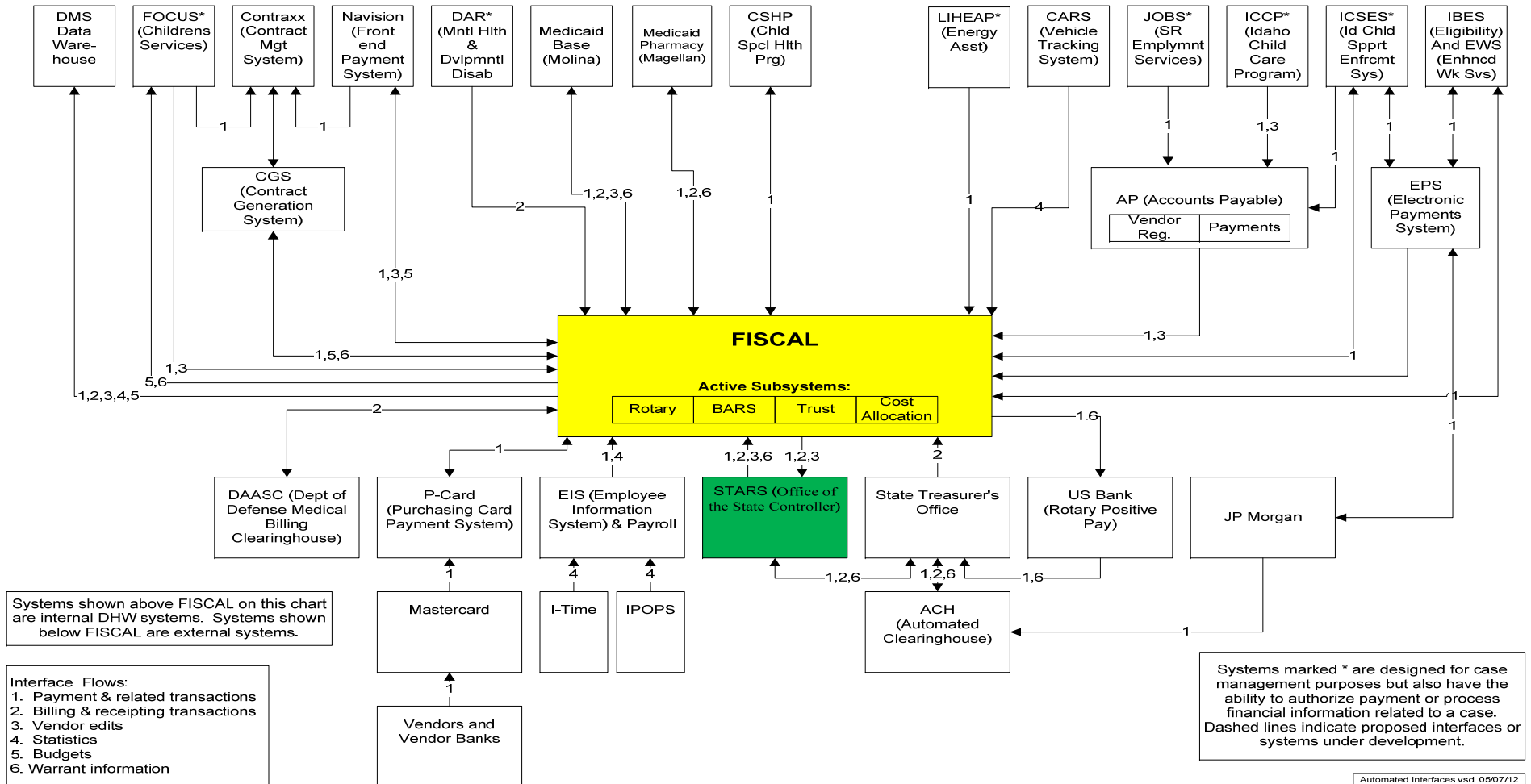
Increase from SFY 2015	
General	2.8%
Dedicated	-3.6%
Receipts	31.8%
Federal	-1.1%
Total	3.3%

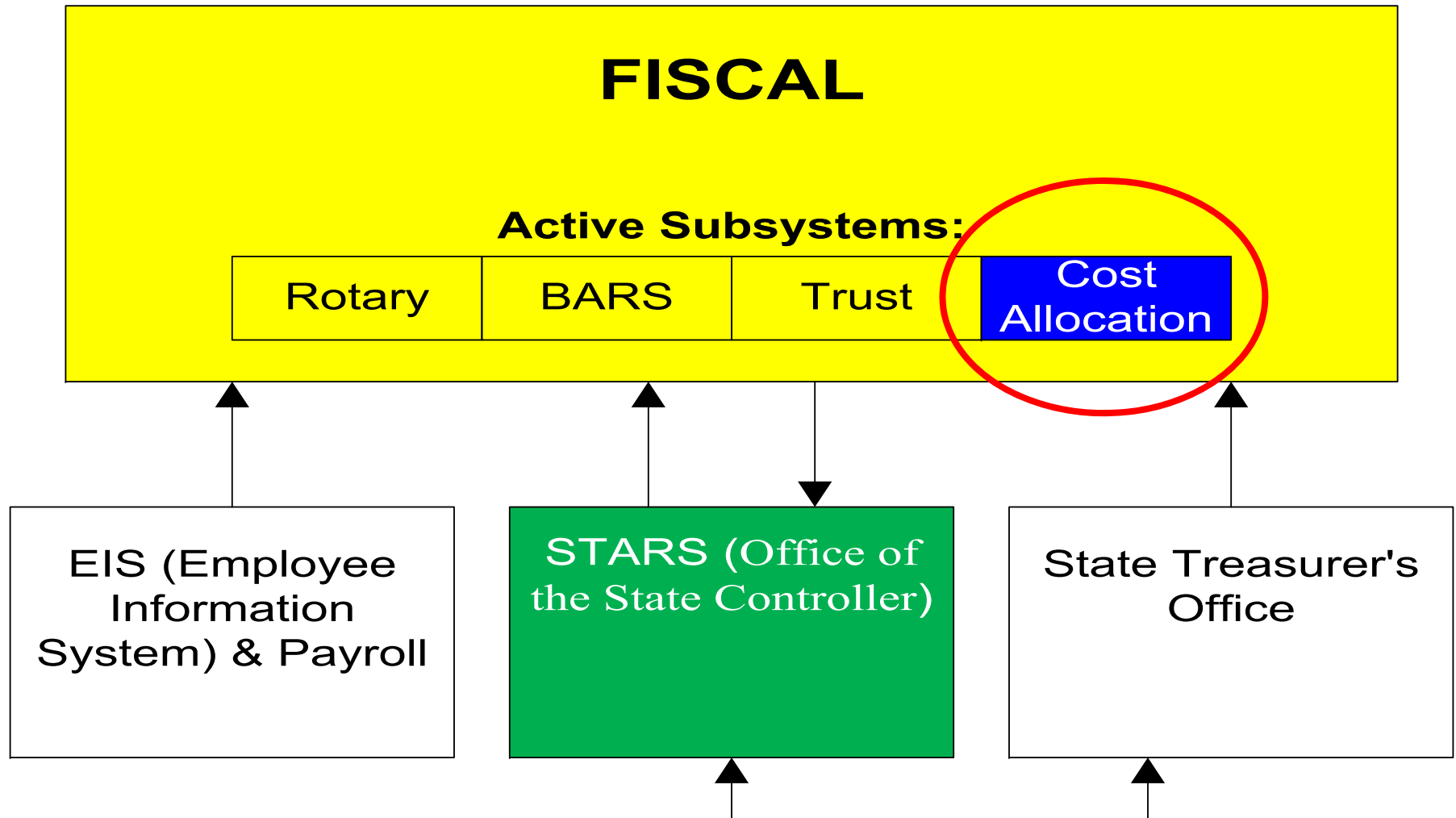


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## Department of Health and Welfare

### AUTOMATED SYSTEM INTERFACES









## Relevant History – OPE Report 13-12

### **OPE's report on: "The Department of Health and Welfare's Management of Appropriated Funds"**

- Report requested by in March 2013 by the Joint Legislative Oversight Committee
- Report released in December 2013
- Presented to JFAC in January 2014
- Presented to the Senate H&W committee in February 2014
- Available on OPE's website





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## Relevant History - HB 328 - 2013

**Audit Division of the Legislative Services Office issued a report.**

**The report contained two recommendations:**

- 1) *We recommend that the Department strengthen internal controls over the processes used to account for spending and to report compliance for legislative appropriations.*
- 2) *We recommend:*
  - a) *that DHW design and implement appropriate internal controls to ensure compliance with appropriation bills and statutes.*
  - b) *that the Department maintain detailed supporting documentation for all transactions recorded on the DU 2.00 Report (Note: this is a year-end report filed with LSO and DFM).*

**Note: Per January 12, 2015 follow-up report – recommendations implemented**



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## **DHW's Multifaceted Plan**

### **Part 1: Plan for Compliance and Transparency**

**The Department implemented the following steps across all appropriations:**

- 1) Improved the supporting documentation and internal controls for year-end closing activities.**
- 2) Perform quarterly reconciliations of the Cooperative Welfare Fund activity between the Statewide Accounting and Reporting System (STARS) and DHW's Financial Information System with Cost Allocation (FISCAL).**
  - a) In addition, to assist with the year-end closing process, this reconciliation is completed on a daily basis in the month of June.**
- 3) Transfers are now entered into STARS prior to Fiscal Year End with backup documentation that includes the fund detail.**



## **Part 1: Plan for Compliance and Transparency**

**In addition, we are taking the following steps to improve overall transparency:**

- 1) Per S 1384, DHW is providing a quarterly report to LSO and DFM that:**
  - a) Compares DHW's budget as appropriated vs. estimated expenditures by budget unit.**
  - b) Includes:**
    - i. Transfers of FTP authority**
    - ii. Transfers of appropriation, by fund**
    - iii. Transfers of funds by object**
- 2) DHW continues to provide LSO's Audit Division on-site and remote access to all of the Department's systems required to perform their audit and review functions.**



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## **Part 2: Future Solutions**

**The Department contracted with the following outside experts to provide unbiased input on this matter:**

- **Information Service Group (ISG)**
  - **The same contractor who is working with the Idaho Office of the State Controller to evaluate STARS**
- **Eide Bailly – accounting firm**



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## Part 2: Future Solutions - Results

As Eide Bailly states in their report:

*“SCO contracted with Information Service Group (ISG) to conduct a study that focuses on the business need of the state agencies as it relates to financial accounting and reporting systems. The results of this study could have a direct and profound impact on any system changes at DHW. DHW would need to consider the impact of any future changes to the State’s financial accounting system as it evaluates changes to its own system. Changes to the state wide financial system would have a direct impact on the planning and implementation of a new accounting system at DHW.”<sup>1</sup>*

<sup>1</sup> Page 2, final paragraph, second sentence, *Eide Bailly’s Report on Consulting Services: State of Idaho Department of Health and Welfare.*





## Part 2: Future Solutions - Plan

### It is the Department's plan to:

- Work in lockstep with the Controller's office in the possible development of a state-wide accounting solution.
- Prioritize the use of existing Department resources to:
  - Start a system analysis and requirements review of its existing financial and reporting systems.
    - This information will be needed to solve its accounting system challenges.



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## **Part 3: What if DHW received appropriations specified by fund?**

**Eide Bailly conducted interviews and obtained information from:**

- **The Department of Health and Welfare**
- **State Controller's Office**
- **Office of Performance Evaluations**
- **Legislative Services Office**
- **Department of Financial Management**



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## Part 3: What if DHW received appropriations specified by fund?

Eide Bailly report states the following:

*“Based on our inquiries and the information reviewed we believe that changing to a system that allows for the appropriation of funds by specific source will require the development of a completely new financial management system for the DHW.”<sup>2</sup>*

<sup>2</sup> Page 2, fourth paragraph, *Eide Bailly's Report on Consulting Services: State of Idaho Department of Health and Welfare.*



## Part 3: What if DHW received appropriations specified by fund?

ISG's report states the following:

*"(stakeholders) would like to see the Fed/State split at any point in time in support of a Legislative initiative to have more granularity and transparency, but the system cannot support this request."<sup>3</sup>*

<sup>3</sup> Page 136, 3<sup>rd</sup> paragraph, 1<sup>st</sup> sentence, *Information Services Group, Inc. System Modernization Study, January 12, 2015.*



## Part 3: What if DHW received appropriations specified by fund?

**Eide Bailly recommends the following:**

*"Based on our analysis we believe that modification of the Department's existing FISCAL system to accommodate a multi-fund approach would require a comparable level of time, effort and expense to that of developing a completely new system as outlined above. Due to the age and complexity of the COBOL based FISCAL system we believe that modifying the existing system represents the least desirable option for converting to a multi-fund system."*<sup>4</sup>

<sup>4</sup> Page 7, first paragraph, *Eide Bailly's Report on Consulting Services: State of Idaho Department of Health and Welfare.*



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## Summary of DHW's plan

**What is the Department's "multifaceted plan" for:**

- **Compliance and transparency?**
  - **Continue with the implementation of recommendations from 2013 management review**
  - **Continue to work closely with LSO & DFM**
- **Future solutions?**
  - **Work in lockstep with SCO for possible statewide solution**
- **What if DHW received appropriations specified by fund?**
  - **The existing system cannot support without extensive modifications**





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## Questions?



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